

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291

Task ID# 3633
cc: Leslie
Penny

RECEIVED

JUL 12 2010

DIV. OF OIL, GAS & MINING

APPLICATION FOR TRANSFER
OF
NOTICE OF INTENTION TO COMMENCE LARGE MINING OPERATIONS

Application is hereby made to transfer the permit to commence large mining operations for the
Cottonwood mine, permit # M/ 047 / 064, currently
operated by Lexco Inc. (transferor)
to Lexco Holding LLC. (transferee).

As used herein, TRANSFEROR refers to the current operator, TRANSFeree refers to the
proposed new operator, NOI refers to the Notice of Intention to Commence Large Mining
Operations; PERMIT refers to the approved (or accepted) NOI, including the reclamation
contract and reclamation surety.

Upon approval of the Application for Transfer:

1. The Transferor agrees to transfer all rights and obligations to operate under the terms of the NOI to the Transferee, The Transferor will not retain any rights to conduct mining operations within the area covered by the approved NOI.
2. Both parties understand the transfer of the ***NOI is not complete until all the applicable requirements are met***, including the submittal and Division approval of an appropriate reclamation surety and a reclamation contract.
3. The transferee has read and has a copy of the current NOI.
4. The Transferee has inspected the site and is fully aware of all existing conditions and responsible for compliance with the conditions of the permit and the obligations regardless of the nature of the conditions at the site.
5. Transferee shall conduct mining operations on lands included in the NOI in accordance with the Utah Mined Land Reclamation Act, (ACT) Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended), and the rules promulgated under the ACT (R647- et seq., and the approved NOI.
6. The Transferee shall provide a surety in a form and amount approved by the Division to assure reclamation of the lands affected by the mining operations.

The **Transferor** will remain liable for compliance at the mine site until this transfer application is approved.

The signatory below represents that he/she has authority to execute this transfer on behalf of the Transferor, if not a natural person. Statements made in the application are true and correct to the best of my knowledge and belief.

TRANSFEROR:

Lexco Inc.

Operator/Transferor Name

By James M. Lekas

Name of Authorized Officer (Typed or Printed)

President

Title of Authorized Officer

Officer's Signature

Date

STATE OF Utah)

COUNTY OF Uintah) ss:

On the 28 day of June, 20 10, James M. Lekas
personally appeared before me, who being by me duly sworn did say that he/she is
an officer (owner, officer, director, partner, agent or other (specify))
of the Operator Lexco Inc.
and duly acknowledged that said instrument was signed on behalf of said Operator
by authority of its bylaws, a resolution of its board of directors, or as may otherwise
be required to execute the same with full authority and to be bound hereby.

Nichole J. Bancroft
Notary Public

Uintah County, UT
Residing at

3-5-2013
My Commission Expires:

The signatory below represents that he/she has authority to execute this transfer on behalf of the Operator/Transferee, if not a natural person; and the operator/transferee is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah. Statements made in the application are true and correct to the best of my knowledge and belief.

TRANSFeree:

Lexco Holding LLC.

Operator/Transferor Name

By Stuart L. Green

Name of Authorized Officer (Typed or Printed)

Chief Operating Officer

Title of Authorized Officer

Stuart L. Green

Officer's Signature

6/28/10

Date

STATE OF Utah)

COUNTY OF Uintah) ss:

On the 28th day of June, 20 10, Stuart L. Green personally appeared before me, who being by me duly sworn did say that he/she is an officer (owner, officer, director, partner, agent or other (specify)) of the Operator Amert Lexco Holding LLC and duly acknowledged that said instrument was signed on behalf of said Operator by authority of its bylaws, a resolution of its board of directors, or as may otherwise be required to execute the same with full authority and to be bound hereby.

Nichole J. Bancroft
Notary Public

Uintah County
Residing at

3-5-2013
My Commission Expires:

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291 Fax: (801) 359-3940

NOTICE OF INTENTION TO COMMENCE LARGE MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1987, and the General Rules as promulgated under the Utah Minerals Regulatory Program. (R647-4-et seq.)

These pages will replace the corresponding pages in the original NOI.

1. GENERAL INFORMATION

1. Name of Mine: Cottonwood Mines
2. Legal name of entity (or individual) for whom the permit is being requested:
Mailing Address: 29950 S. Bonanza Hwy.
City, State, Zip: Bonanza, UT 84008
Phone: 435-789-1921 Fax: 435-789-1956
E-mail Address: sgreen@amgc.com

Type of Business:

Corporation ☐ LLC ☒ Partnership – general ☐ or limited ☐
Sole Proprietorship (dba) ☐ or Individual ☐

Entity must be registered (and maintain registration) with the State of Utah, Division of Corporations (DOC).

Are you currently registered to do business in the State of Utah? Yes ☒ No ☐

Entity # _____

If no, contact DOC at www.commerce.utah.gov to renew or apply.

Local Business License # : 2010227 (if required)

Issued by: City: Vernal or County: Uintah

If Business is a Sole Proprietor:

Name of owner: _____ Title: _____

Business Address: _____

City, State, Zip: _____

Phone: _____ Fax: _____

E-mail Address: _____

If Business is a Partnership:

Name of Partner: _____

Business Address: _____

City, State, Zip: _____

Phone: _____ Fax: _____

E-mail Address: _____

If Business is a Corporation:

Name of Officers: _____ Title: _____

Corporate Address: _____
City, State, Zip: _____
Phone: _____ Fax: _____
E-mail Address: _____

If Business is a Limited Liability Company: Member Managed _____ Manager Managed ☒

Name of 1st Member/Manager: Stuart L. Green Title: Chief Operating Officer
Business Address: 29950 S. Bonanza Hwy.
City, State, Zip: Bonanza, UT 84008
Phone: 435-789-1921 Fax: 435-789-1956
E-mail Address: sgreen@amgc.com

2nd Member/Manager: _____ Title: _____
Business Address: _____
City, State, Zip: _____
Phone: _____ Fax: _____
E-mail Address: _____

2. Contacts:

This person may be notified for: permitting ☒ surety ☒ Notices ☒
(please check all that apply)

Name: Stuart L. Green Title: Chief Operating Officer
Address: 29950 S. Bonanza Hwy.
City, State, Zip: Bonanza, UT 84008
Phone: 435-789-1921 Fax: 435-789-1956
Emergency, Weekend, or Holiday Phone: 435-790-3863
E-mail Address: sgreen@amgc.com

This person may be notified for: permitting _____ surety _____ Notices _____
(please check all that apply)

Name: _____ Title: _____
Address: _____
City, State, Zip: _____
Phone: _____ Fax: _____
Emergency, Weekend, or Holiday Phone: _____
E-mail Address: _____

Registered Utah Agent (as identified with the Utah Dept of Commerce) (if individual leave blank):

Name: National Registered Agents, Inc. Title: State of Utah Commercial Registered Agent # 7209417-0250
Address: 2778 W. Shady Bend Lane
City, State, Zip: Lehi, Utah 84043-5676
Phone: _____ Fax: _____
E-mail Address: _____

3. Certification:

This certification must be signed by:

- (1.) an executive officer if the applicant is a corporation;
- (2.) a partner if applicant is a partnership (general or limited);
- (3.) the owner if applicant is a sole proprietorship;
- (4.) the member or manager if applicant is a limited liability company; or
- (5) the individual if the applicant is filing as an individual:

I state under penalty of perjury under the laws of the state of Utah and the United States of America that:

- a. Lexco Inc. (transferor), has provided a copy of the approved mining and reclamation plan. I will follow the approved mining and reclamation plan until such time that I provide the Division with an amended Notice of Intention (plan) and receive approval of the amended Notice; AND
- b. I commit to the reclamation of the aforementioned large mining operation as required by the Utah Mined Land Reclamation Act (40-8) and the rules as specified by the Board of Oil, Gas and Mining.

Signature: _____

Date: 6/28/10

Name (typed or printed):

Stuart L. Green

Title/Position (if applicable):

Chief Operating Officer

LEXCO INC.

A Utah Corporation

Mining and Mineral Exploration
P.O. Box 1198
582 North Vernal Avenue
Vernal, Utah 84078
Phone: 435-545-2477
Fax: 435-545-2476

November 25, 2009

Mr. Roger Bankert
Chief Adjudicator, Minerals
U.S. Bureau of Land Management
Box 45155
Salt Lake City, Utah 84145-0155

Dear Mr. Bankert:

As you are aware, this year Lexco Inc. sold its gilsonite related assets to Lexco Acquisition Corp. This letter is to provide the details of the transaction for your information and understanding.

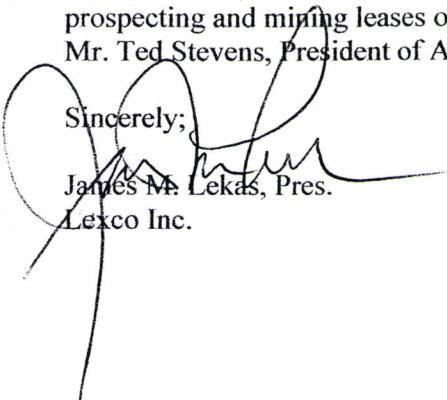
Prior to the sale, on June 12, 2009 Lexco, Inc. assigned its active Federal gilsonite mining lease UTU-72669 to Lexco Holding, LLC. This assignment was submitted to the Bureau of Land Management (BLM) on June 18, 2009 and approved effective July 1, 2009. At that time, Lexco Holding, LLC was a Utah limited liability company and a wholly-owned subsidiary of Lexco, Inc.

On August 12, 2009, Lexco, Inc. entered into an Asset Purchase Agreement with Lexco Acquisition Corporation, a Delaware Corporation and a wholly-owned subsidiary of American Gilsonite Company. This agreement sold to Lexco Acquisition Corp. substantially all of the assets of Lexco Inc. relating to its business of prospecting, mining, processing and marketing of Gilsonite, including all of Lexco Inc.'s membership interests in Lexco Holding, LLC. All of the mineral leases and prospecting rights held by Lexco Inc. and Lexco Holding, LLC and those instruments or amounts posted or pledged by Lexco Inc. and Lexco Holding, LLC to satisfy all reclamation obligations held for the benefit of or by the BLM, the Utah Division of Oil, Gas and Mining, and/or the Utah School and Institutional Trust Lands Administration were also included in the sale. All applications for prospecting permits and fringe leases have been assigned to Lexco Acquisition Corp.

At this time, Lexco Holding, LLC continues to hold Federal mining lease UTU-72669. Lexco Holding, LLC is a Utah limited liability company and now a wholly-owned subsidiary of Lexco Acquisition Corp., in turn which is a wholly-owned subsidiary of American Gilsonite Company. Lexco Holding, LLC continues to hold the reclamation bond for this lease.

If you have any further questions, I would be happy to assist you. For questions related to the prospecting and mining leases or operations, all future correspondence and contacts should be with Mr. Ted Stevens, President of American Gilsonite Company.

Sincerely,


James M. Lekas, Pres.
Lexco Inc.

BLM - 01 - 950
2009 NOV 30 AM 8:53

RECEIVED

JUL 12 2010

DIV. OF OIL, GAS & MINING



American Gilsonite Company

Bonanza Minesite

29950 South Bonanza Highway

Bonanza Utah 84008 • Phone (435) 789-1921 • Fax (435) 789-1956

BLM - UT - 950

2005 SEP 24 AM 9:59

Mr. Roger Bankert
Chief of Minerals
Bureau of Land Management
P. O. Box 45155
Salt Lake City, UT 84145-0155

Dear Mr. Bankert

American Gilsonite has purchased certain assets of Lexco, Inc. including its membership interests in Lexco Holding, LLC and its mineral leases interests in federal lease UT-72699 and state leases ML-42740 and ML-49564. These leases are held by Lexco Holding which is a wholly-owned subsidiary of American Gilsonite.

The following is updated information for Lexco Holding:

- State of Incorporation – Utah
- Ownership – 100% by American Gilsonite, a United States corporation
- The officers authorized to act on behalf of Lexco Holding are:
 - Ted Stevens – Executive Vice President
 - Stuart L. Green – Senior Vice President of Operations
 - Douglas R. Maughan – Chief Financial Officer
- Total acreage holdings of American Gilsonite and its subsidiaries for federal leases and permits – 4,015 acres

If you have questions, please call Ted Stevens at 650-233-7166 or Stuart Green at 435-781-4540.

Best regards,

Douglas R. Maughan
Chief Financial Officer

CC: Mr. Bill Buge, BLM – by fax



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



JUL 07 2009

W. Buge
7/1/09
ESP
7/2/09

IN REPLY REFER TO:
3504
UTU-72699
(UT-923)

CERTIFIED MAIL—Return Receipt Requested

Assignee:

Lexco Holding, LLC
582 N. Vernal Ave.
Vernal, Utah 84078

DECISION

:
:
: Gilsonite Lease
: UTU-72699
:
:
:

7008 1140 0000 3706 0843

7008 1140 0000 3706 0836

Assignor:

Lexco Inc.
582 North Vernal Ave.
Vernal, Utah 84078

Gilsonite Lease Assignment Approved

On June 18, 2009, Lexco Holding LLC submitted a record title assignment of Federal gilsonite lease UTU-72699 entered into on June 12, 2009 between Lexco Holding, LLC, as assignee, and Lexco Inc., as assignor.

Satisfactory evidence of the qualifications and holdings of Lexco Holding, LLC has been filed. Lexco Holding LLC has been authorized to retain the \$130,000 U.S. Treasury Note on file in lieu of surety bonding. Also Lexco Holding, LLC has submitted, on June 30, 2009, an executed Personal Bond and Power of Attorney form for the \$130,000 treasury note

Therefore, the assignment appears to meet the requirements of the regulations and is hereby approved effective July 1, 2009. Approval of the assignment does not constitute approval of any of the terms therein which may be in violation of the lease terms.

/s/J D McKenzie

J. D. McKenzie
Chief, Branch of
Solid Minerals

cc: Green River District Office

ASSIGNMENT OF INTEREST IN GILSONITE LEASE

The undersigned, Lexco Inc., a Utah Corporation with address at 582 North Vernal Ave. Vernal, Utah 84078, as the owner of a 100% interest in Federal Gilsonite lease UTU-72699 does hereby assign all of its right, title and interest in said lease to Lexco Holding, LLC, a Utah LLC with offices at 582 North Vernal Ave. Vernal, Utah 84078.

All lands affected by this lease are located in Uintah County, Utah.

It is hereby certified that the statements made herein are true, complete, and correct to the best of the undersigned's knowledge and belief and are made in good faith.

Executed this twelfth day of June, 2009.

Assignor: Lexco Inc.

By:

James M. Lekas
President, Lexco Inc.


ASSIGNOR'S ACKNOWLEDGEMENT

State of Utah
County of Uintah

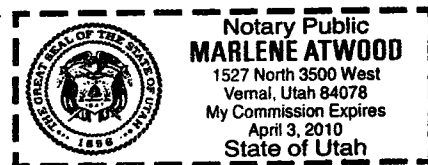
On the 12th day of June, 2009, personally appeared before me James M. Lekas President of Lexco Inc. signer of the above instrument, who duly acknowledged to me that he executed the same, and is an officer for the assignor and is authorized to make this assignment.

Given under my hand and seal this 12th day of June, 2009.

My Commission expires 4-3-2010.


NOTARY PUBLIC

(over)



(Continued from other side)

ACCEPTANCE OF ASSIGNMENT-CORPORATE ASSIGNEE

Comes now Lexco Holding, LLC, an LLC of Utah, and hereby accepts the assignment from Lexco Inc. of Federal Gilsonite lease UTU-72699 which assignment is dated June 12, 2009, subject to all of the covenants and obligations of said lease.

IN WITNESS WHEREOF, Lexco Holding, LLC has executed this acceptance this twelfth day of June, 2009.

Assignee: Lexco Holding, LLC

By: 

James M. Lekas
Manager, Lexco Holding, LLC

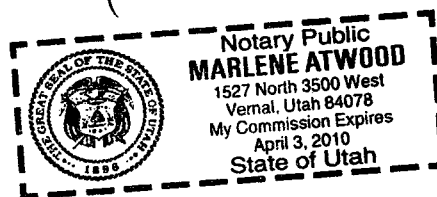
ASSIGNEES ACKNOWLEDGEMENT (CORPORATE)

State of Utah
County of Uintah

On the 12th day of June 2009, personally appeared before me James M. Lekas, who being by me duly sworn did say that he is an officer for the assignee and is authorized to accept this assignment for the assignee.

My commission expires: 4-3-2010


NOTARY PUBLIC



LEXCO INC.

A Utah Corporation

Mining and Mineral Exploration
P.O. Box 1198
582 North Vernal Avenue
Vernal, Utah 84078
Phone: 435-545-2477
Fax: 435-545-2476

2009 JUN 30 AM 9:18

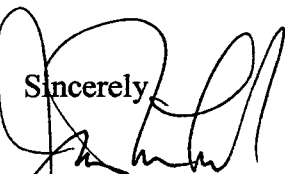
June 26, 2009

Bill Buge
Bureau of Land Management
Minerals Adjudication
440 West 200 South
Suite 500
Salt Lake City, Utah 84101

Dear Mr. Buge:

Enclosed please find our completed bond form 3504-1 for assignment of UTU-72699.

Sincerely,



James M. Lekas, Manager
Lexco Holding, LLC

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

PERSONAL BOND* AND POWER OF ATTORNEY
UNDER ☒ MINERAL LEASE OR ☐ PROSPECTING PERMIT
FOR MINING DEPOSITS
GILSONITE

FORM APPROVED
OMB NO. 1004-0121
Expires: November 30, 2009

Serial Number
UTU - 72699

Bond Number

Office
UTAH STATE OFFICE

KNOW ALL MEN BY THESE PRESENTS, That

LEXCO HOLDING, LLC
P.O. BOX 1198
VERNAL, UTAH 84078

, as obligor, is held and

firmly bound unto the United States in the sum of ONE HUNDRED AND THIRTY THOUSAND dollars,
(\$ 130,000⁰⁰), lawful money of the United States, for the payment of which, well and truly to be made, he binds
himself, his heirs, executors, administrators, and successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such, that whereas the above-named obligor entered into a mineral lease or prospecting permit of the lands described therein upon conditions therein expressed, which mineral lease or prospecting permit bears the above serial number.

NOW, THEREFORE, if the said obligor, his heirs, executors, administrators, or successors, will faithfully carry out the obligations and observe the requirements of said mineral lease or prospecting permit and will duly keep, perform, and abide by each and every term and provision of said mineral lease or prospecting permit as therein stipulated and agreed, then this obligation will be null and void; otherwise to remain in full force and effect.

That said obligor, in order the more fully to secure the United States in the payment of the aforesaid sum, hereby pledges cash as security therefor or negotiable bonds of the United States, of a par value equal to the amount specified, which said bonds are numbered serially and are in the denominations and amounts and are otherwise more particularly described as follows:

bonds of \$, bearing percent interest, with coupons attached to each numbered

\$ 130,000⁰⁰ PAR VALUE U.S. TREASURY NOTE
CUISP # 912828 FD7
4 7/8 % INTEREST

which said bonds have been deposited with the Secretary of the Interior.

*This form of bond may be used in connection with phosphate, and sodium mineral leases or prospecting permits. Act of February 25, 1920, as amended (30 U.S.C. 181 *et seq.*); potassium mineral leases or prospecting permits, Act of February 7, 1927, as amended (30 U.S.C. 281 *et seq.*); sulphur mineral leases or prospecting permits, Act of April 17, 1926, as amended (30 U.S.C. 271 *et seq.*); all such mineral leases or prospecting permits involving acquired lands, Act of August 7, 1947, (30 U.S.C. 351), and asphalt mineral leases or prospecting permits, Act of June 28, 1944, as amended (25 U.S.C. 561-562), by inserting the particular mineral applicable in the space provided therefor. This form is for use where the mineral lease or prospecting permit covers either public lands or lands embraced in an entry or patent subject to the reservation of potassium, phosphate, or sodium deposits to the United States under the Act of July 17, 1914 (30 U.S.C. 121-123); pursuant to the Act of June 22, 1910 (30 U.S.C. 83-85), pursuant to the Act of March 8, 1922 (48 U.S.C. 376-377); or of sulphur, pursuant to the Act of March 4, 1933 (30 U.S.C. 124). If this bond is executed by a corporation, it must bear the corporate seal.

That the said obligor does hereby institute and appoint the Secretary of the Interior as his attorney, for him and in his name to collect or to sell, assign, and transfer the said cash or United States bonds above-described and deposited by the obligor, as aforesaid, pursuant to authority conferred by section 1 of the Act of July 30, 1947 (61 Stat. 646; 6 U.S.C. 15), as security for the faithful performance of any and all of the conditions or stipulations as hereinbefore set out, and it is agreed that, in case of any default in the performance of the conditions and stipulations of such undertaking the said attorney must have full power to collect said bonds or any part thereof, or to sell, assign, and transfer said bonds or any part thereof without notice, at

public or private, free from any equity of redemption or without appraisal or valuation, notice and right to redeem being waived, and to apply proceeds of such sale or collection to the full amount of the bond to the satisfaction of any damages, or deficiencies arising by reason of such default, as said attorney may deem best. The interest accruing upon said United States bonds deposited as above stated, in the absence of any default in the performance of any of the conditions or stipulations of the bond, must be paid to said obligor. The said obligor hereby for himself, his heirs, executors, administrators, and successors, ratifies and confirms whatever his said attorney must do by virtue of these presents.

Signed on this 26 day of JUNE, 2009, in the presence of:

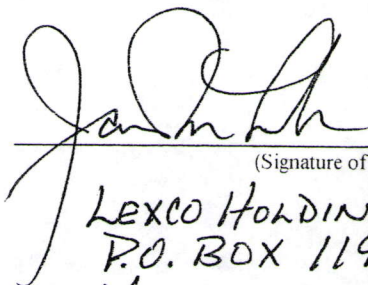
(Printed Name of Witness)

(Signature of Witness)

(Address of Witness)

JAMES M. LEKAS

(Printed Name of Obligor)



(Signature of Obligor)

LEXCO HOLDING, LLC
P.O. BOX 1198

VERNAL, UTAH 84078

(Address of Obligor)

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

LEXCO INC.

A Utah Corporation

Mining and Mineral Exploration
P.O. Box 1198
582 North Vernal Avenue
Vernal, Utah 84078
Phone: 435-545-2477
Fax: 435-545-2476

June 22, 2009

Bill Buge
Bureau of Land Management
Minerals Adjudication
440 West 200 South
Suite 500
Salt Lake City, Utah 84101

Dear Mr. Buge:

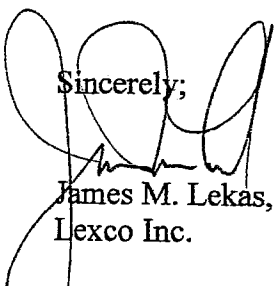
Lexco Inc. has filed a \$130,000.00 U.S. Treasury Note for gilsonite lease# UTU-72699.

Bond form 3504-1 was completed and accepted by BLM on June 15, 2006.

Lexco Inc. has assigned gilsonite lease UTU-72699 to its subsidiary, Lexco Holding, LLC.

Lexco Inc. authorizes Lexco Holding, LLC. To utilize the above referenced Treasury Note for all bonding requirements on UTU-72699.

Sincerely;


James M. Lekas, President
Lexco Inc.

BLM - UT - 850
2009 JUN 30 AM 9:18

LEXCO INC.

A Utah Corporation

Mining and Mineral Exploration
P.O. Box 1198
582 North Vernal Avenue
Vernal, Utah 84078
Phone: 435-545-2477
Fax: 435-545-2476

LEXCO INC. - 750
2009 JUN 18 AM 9:24

June 15, 2009

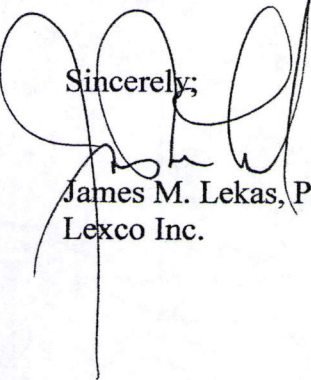
Bill Buge
Bureau of Land Management
Minerals Adjudication
440 West 200 South
Suite 500
Salt Lake City, Utah 84101

Dear Mr. Buge:

Enclosed please find a request from Lexco Inc. to assign Federal Gilsonite lease UTU-72699 to Lexco Holding, LLC. Lexco Inc. is the sole member of Lexco Holding LLC.

Please let me know if you need any additional information.

Sincerely;



James M. Lekas, President
Lexco Inc.

LEXCO INC.

A Utah Corporation

Mining and Mineral Exploration
P.O. Box 1198
582 North Vernal Avenue
Vernal, Utah 84078
Phone: 435-545-2477
Fax: 435-545-2476

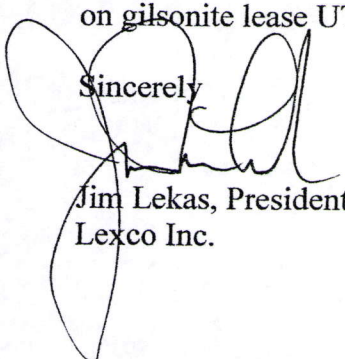
June 22, 2009

Bill Buge
Bureau of Land Management
Minerals Adjudication
440 West 200 South
Suite 500
Salt Lake City, Utah 84101

Dear Mr. Buge:

Enclosed please find our check# 22683 in the amount of \$25.00 to cover the assignment fee on gilsonite lease UTU-72699,

Sincerely



Jim Lekas, President
Lexco Inc.

UTAH STATE OFFICE
RECEIVED
ACCOUNTS UNIT
2009 JUN 26 AM 10:47
DEPT OF INTERIOR
BUREAU OF LAND MANAGEMENT



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

JOHN R. BAZA
Division Director

LEXCO Bond Agreement

Agreement between the Utah Division of Oil, Gas and Mining (OGM)
and the
Utah State Office of the Bureau of Land Management (BLM)
Bonding Instrument
for the
Lexco, Cottonwood Mine, OGM Permit M/047/064
BLM Federal Lease UTU 72699

Lexco, Inc. has submitted to the BLM five-year U.S. Treasury Notes as reclamation surety and BLM royalty surety. BLM has accepted the reclamation surety as part of the requirements of the Federal Regulations at 43 CFR 3590.. This agreement is being implemented to also fulfill the requirement for reclamation bonding under the Utah Mine Reclamation Act (UCA 40-8-14 (4) and (6)(c) 2006. Both agencies agree the reclamation surety in the amount of \$55,337.00 is sufficient to reclaim the land affected by mining operations under the approved BLM mine plan dated May 30, 2006.

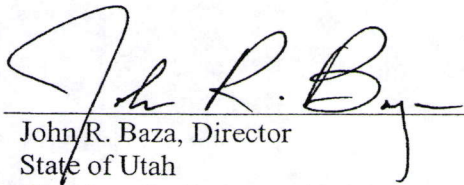
SURETY FORM: U.S. Treasury Notes, Five Year
DOLLAR AMOUNT: \$130,000.00
FORMS COMPLETED: BLM form 3504-1
BLM BOND ACCEPTED DATE: JUNE 26, 2006

OGM and BLM Agree:

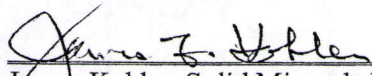
- BLM and OGM will consider this agreement as if they were co-beneficiaries on the bond held by the BLM, and if surety forfeiture is deemed necessary by the State of Utah, OGM will send BLM a certified copy of the hearing and request that the necessary action take place in accordance with UCA 40-8-14 (6)(c).
- The BLM is administering the reclamation surety of \$55,337.00 and also has \$74,663.00 that is not reclamation surety and is intended for BLM, for which the terms of this agreement do not apply. BLM may require additional surety for any activities or performance not regulated by OGM.
- The reclamation surety will continue to be administered by the BLM. Any adjustments to the reclamation surety will be administered by the BLM. OGM may request an adjustment in the surety. BLM will adjust the surety if approved by the BLM. At any time the operator may replace the reclamation surety and have either agency administer the reclamation surety. The form and amount of surety used as replacement must be approved by both OGM and BLM.
- The BLM will not release the reclamation surety until the BLM has received written consent of OGM in accordance with the procedures and requirements of the Utah Mined Land Reclamation Act and associated rules, as amended. An OGM inspection report will be provided to the BLM and the OGM Director will provide written consent for release of the reclamation surety.

- OGM will notify BLM if the permit fails for any reason. If failure occurs, BLM will take appropriate action.
- The U.S. Treasury Notes will mature on April 30, 2011, at which thirty days prior to maturity, the terms of this agreement may be reviewed.
- BLM will copy the Division on all documentation pertaining to administration of the reclamation surety.
- BLM agrees to communicate to OGM information including changes to the reclamation plan, operation plan, cost estimates, and any other pertinent information regarding the OGM permit M/047/064 and BLM UTU 72699. Specifically, the spreadsheet titled, LEXCO 3 Shaft Bond Requirement, is an integral part of this agreement, and as the reclamation surety amount is adjusted as updated in the above-mentioned spreadsheet, these dollar amount adjustments, will be considered the current reclamation surety obligation.
- OGM, will likewise, notify and copy the BLM on any correspondence between the operator and OGM, including the reclamation contract.
- This agreement may not be terminated by either agency unless any of these conditions occur:
 1. Mine transfer (this agreement is not assignable)
 2. Lease assignment

This agreement shall become effective when executed. Amendments to this agreement may be proposed by either party upon thirty (30) days written notice and shall be effective upon execution. The below signed, acknowledge and accept the terms of this agreement.


 John R. Baza, Director
 State of Utah
 Division of Oil, Gas and Mining

11/17/2006
 Date


 James Kohler, Solid Minerals Branch Chief
 Bureau of Land Management (BLM),
 Utah State Office

Nov. 27, 2006
 Date



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



W Buge
6/30/06

IN REPLY REFER TO:

3504
UTU-72699
(UT-923)

JUN 30 2006

700 51820 0002 0255 4629

CERTIFIED MAIL – Return Receipt Requested

DECISION

Lexco, Inc.
P. O. Box 1198
Vernal, UT 84078

: Gilsonite Lease
: UTU-72699
:
:

Issued #
ut 80271

Bonds Released

Lexco, Inc. currently has on file with the Utah State Office of the Bureau of Land Management three cash lease bonds in the amount of \$38,500 to cover gilsonite lease UTU-72699. \$36,000 of the cash bonds have been Treasury Notes that have matured and the proceeds have been placed in the Bureau of Land Management's suspense account.

On June 26, 2006 The Bureau accepted a \$130,000 treasury note in lieu of surety bond that was filed with the Bureau's National Business Center on June 3, 2006. The request for release of these bonds has been approved by the Utah State Office and the Vernal Field Office.

Therefore the proceeds from these three bonds will be returned by electronic transfer to Lexco, Inc. If you have further questions please contact Bill Buge at (801) 539-4086.

JAMES F KOHLER

James F. Kohler
Chief, Branch of
Solid Minerals

cc: Accounts
Vernal Field Office
Colleen Noble, Negotiable Securities Manager, Bureau of Land Management, National Business Center, P. O. Box 25047, Denver Federal Center, Building 50, Denver, CO 80225-0047

DEPOSITORY PLEDGE AGREEMENT

BUREUA OF LAND MANANGEMENT ("Depositor") has selected LEXCO INC ("Bank") as a depository for certain of its funds and Bank has agreed to act as the depository for those funds in accordance with applicable laws, which require that Bank secure the deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation ("FDIC"), by pledging securities ("Eligible Securities") of any type permissible by law ("Governing Statutes"). WELLS FARGO BANK NA, ("Custodian"), acting as collateral agent for Depositor, has agreed to hold the pledged securities in safekeeping pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants in this Agreement, Depositor Bank and Custodian agree as follows:

1. **Grant of Security Interest; Instructions Regarding Collateral.** Bank hereby grants to Depositor a security interest in all Eligible Securities held by Custodian and reflected on Custodian's records as being pledged to Depositor (the "Collateral"), and Custodian agrees to hold all Collateral deposited with it, and to serve as collateral agent for Depositor, pursuant to the terms of this Agreement. Until Depositor has the right to compel sale of the Collateral under Paragraph 6 hereof, Custodian may act only in accordance with the joint instructions of Bank and Depositor, provided that Bank shall be permitted to unilaterally substitute Eligible Securities for the Collateral in accordance with Paragraph 3 hereof. Addendum "A" contains the names and specimen signatures of individuals authorized to act on behalf of Depositor, and Addendum "B" contains the names and specimen signatures of individuals authorized to act on behalf of Bank. Either Depositor or Bank may add or remove authorized representatives without the consent of the other at any time by providing Custodian with a replacement addendum, duly executed by an authorized individual. In no event shall the Custodian be responsible for determining whether the pledged securities are "Eligible Securities".

2. **Amount of Collateral.** The aggregate market value of Eligible Securities held by Custodian at all times during the term of this Agreement must be in an amount not less than of (a) the amount of the collected funds on deposit, increased by (b) the amount of accrued but uncredited interest, (c) reduced by that portion of the funds insured by the FDIC. Such amount is hereinafter called the "Required Collateral Value". In no event shall the Custodian be responsible for determining whether the account contains the Required Collateral Value.

3. **Substitutions and Withdrawals of Collateral.** If the aggregate market value of Collateral held by Custodian at any time exceeds the Required Collateral Value, Pledgors may withdraw any excess Collateral by providing Custodian with a withdrawal notice signed by an authorized representative of both Pledgors and Depositor. Depositor agrees to promptly sign the withdrawal notice if the market value of the remaining Collateral equals or exceeds the Required Collateral Value. Custodian shall be entitled to rely on, and Pledgors and Depositor agree to hold Custodian harmless from any actions taken pursuant to, and consistent with, the instructions given in a withdrawal notice. Additionally, each of the pledgors may substitute Eligible Securities for any of the Collateral held by Custodian at any time by providing Custodian with a substitution notice signed by an authorized representative of the Pledgors, provided that the market value of the Collateral following such substitution would equal or exceed the Required Collateral Value. If either of the Pledgors elect to require Depositor's written consent on a substitution notice in connection with any substitution complies with the preceding sentence, Depositor agrees to provide it promptly upon such Pledgor's request.

4. **Bank's Obligations.** Bank shall perform all of the duties and obligations required of a depository under applicable law with respect to collateralization of the funds of Depositor on deposit with Bank, including the duties and obligations required under the Governing Statutes. At the expiration of the term of this Agreement, Bank shall turn over to any successor depository designated by Depositor all funds held by Bank as Depository. Bank will furnish to Depositor a monthly statement listing a description of the Collateral. The statement will specify the par value, market value, and maturity date of each component of the Collateral. Upon request, Bank shall provide to Depositor a copy of Bank's most recent publicly available quarterly or annual financial statement.

5. **Custodian's Obligations.** Custodian shall perform the duties and obligations required of Custodian hereunder, in accordance with the provisions of the Governing Statutes. On receipt of Eligible Securities pledged to Depositor, including Eligible Securities substituted for other Collateral, Custodian shall promptly identify such

Eligible Securities on its books and records as being Collateral held pursuant to this Agreement, and shall promptly issue and deliver to each Bank and Depositor a duplicate receipt of such Collateral. So long as the Custodian has exercised reasonable care in its acts under this Agreement, the Custodian shall not be liable for any loss sustained by either of Bank or Depositor.

6. **Default and Remedies.** If Bank defaults in performing its obligations under Paragraph 4 above, or if Bank is declared insolvent, or if a receiver is appointed for Bank, Depositor may instruct Custodian to sell the Collateral or any part thereof at public or private sale, after providing Bank at least (3) business days prior written notice and opportunity to cure the default, and, if Bank fails to cure the default within the required period of time, Custodian shall proceed to sell the specified Collateral in accordance with the Depositor's instructions. The proceeds of any sale shall be applied to satisfy any indebtedness owed by Bank to Depositor, and any excess proceeds shall be returned to Bank. Depositor will also have any other remedies available under applicable law. The Custodian shall be entitled to rely on and shall be held harmless from acts taken in accordance with such instructions from Depositor.

7. **Termination of Agreement.** Any party to this agreement may terminate this Agreement by giving thirty (30) days prior written notice of termination to the other parties.

8. **Miscellaneous.** The headings of this agreement are for convenience of reference only and should not be used in interpreting this Agreement. If any provision of this agreement is illegal or unenforceable under applicable law, that provision should be deemed reformed so as to be enforceable to the extent permitted by applicable law, or if that is not possible, then this Agreement should be read as if that provision was never a part of it, and the remainder of the Agreement will be enforceable. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT OF THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. Notices given under this Agreement must be addressed as set forth below the signature of each party, and will be effective upon actual receipt by the addressee or upon refusal of delivery during the normal business hours of the addressee.

Date of Agreement: 06/05/06

DEPOSITOR:

By:

Name:

Title:

Address for notice:

BANK:

By:

Name:

Title:

Address for notice:

PO Box 1198
Minneapolis, MN 55407

CUSTODIAN: Wells Fargo Bank, N.A. Safekeeping Account Number:

By:

Name: Sean O'Farrell

Title: Operations Manager

Address for notice: 608 2nd Avenue South, Minneapolis, MN 55479

ADDENDUM "A"
(Authorized Officers of Bank)

One signature of any of the following authorized officers of Bank is required to authorize actions to be taken pursuant to the foregoing Depository Pledge Agreement.

1. JAMES M. LEKAS
(Name)

(Signature)

2. _____
(Name)

(Signature)

3. _____
(Name)

(Signature)

4. _____
(Name)

(Signature)

5. _____
(Name)

(Signature)

WELLS FARGO BROKERAGE SERVICES
608 2ND AVENUE SOUTH - 5TH FLOOR
MINNEAPOLIS MN 55479-0130

4
PLEDGE RECEIPT
CUSTOMER COPY

DATED
06/02/06

CUSTOMER

RECEIPT
74067

SECURITY DESCRIPTION
U S TREASURY NOTE

CUSIP	ISSUED	RATE	MATURITY
	04/30/2006	4.87500	04/30/2011

PLEDGED ORIGINAL FACE / PAR VALUE
130,000.00

PLEDGED CURRENT PAR
130,000.00

PLEDGED TO:
BUREAU OF LAND MANAGEMENT (FED

LEXCO INC
P O BOX 1198
VERNAL, UT 84078

LEXCO

A Utah Corporation

Mining and Mineral Exploration
P.O. Box 1198
582 North Vernal Avenue
Vernal, Utah 84078
435-789-5361
435-545-2477

FAX CORRESPONDENCE

DATE: June 01, 2006

COMPANY NAME: BLM

ATTENTION: Colleen Noble

REGARDING: Treasury Note

FROM: James M. Lekas / Lexco Inc.

OUR FAX NUMBER: (435) 545-2476

NUMBER OF PAGES (including cover): 1

Lexco Inc. has purchased the following security to replace the two Treasury Notes that have matured and the one that will mature soon.

Please authorize the release of the matured funds to Lexco.

Thank you,

James M. Lekas
Lexco, Inc.

- 1) Five year U.S. Treasury Note
- 2) Par Value \$130,000.00
- 3) 4.875% Interest Rate
- 4) Maturity Date: 04/30/2011
- 5) CUSIP#
- 6) Wells Fargo Brokerage Services, LLC.
- 7) 299 South Main Street, 5th Floor, SLC, UTAH 84111
- 8) ABA#
- 9) Tom Degenaars
- 10) 801 246-1746
- 11) Federal Reserve of Saint Louis

Please remit matured funds to :

Lexco, Inc.

Wells Fargo Bank, Vernal Branch

Account# 0623010105

Wire Transfer ABA# 121000248



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
National Business Center
P.O. Box 25047
Denver Federal Center, Building 50
Denver, Colorado 80225-0047

June 2, 2006

Ms. Leslie Green
Collateral Monitoring Unit
Federal Reserve Bank of St. Louis
PO Box 14915
St. Louis, MO 63178

Dear Ms. Green:

The Federal Reserve Bank of St. Louis is an authorized depository for certain securities as provided in 31 CFR 225 (Circular 154). I warrant that I am the Negotiable Securities Manager for the Bureau of Land Management. Our account number is 1

I anticipate that the following U.S. Treasury Note will be deposited with you by Wells Fargo Brokerage Services, LLC, (ABA Number 299 South Main Street, 5th Floor, Salt Lake City, UT 84111. Attention: Tom Degenars (801) 246-1746. This security is held on behalf of Lexco, Inc., P.O. Box 1198, 582 North Vernal Avenue, Vernal, UT 84078, Attn: James M. Lekas, (435) 789-5361. Account #0623010105 should be referenced for interest payments. Please accept the following security:

CUSIP Number:	
Maturity Date:	04/30/2011
Interest Rate:	4.875%
Amount:	\$130,000.00

The pledgee of this security is:

United States Department of the Interior
Bureau of Land Management
P.O. Box 25047
Denver, CO 80225-0047
Account: SI24

If you have any questions, please call me at (303) 236-6341.

Sincerely,



Colleen Noble
Negotiable Securities Manager

Copy:

James M. Lekas, Lexco, Inc., P.O. Box 1198, 582 North Vernal Avenue, Vernal, UT 84078

Tom Degenaars, Wells Fargo Brokerage Services, LLC, 299 South Main Street, 5th Floor, Salt Lake City, UT 84111

Bill Buge, Bureau of Land Management, Utah State Office (UT-923)

8

Federal Reserve Bank of St. Louis
Amount to be Collateralized Change Form

Security Account Name: LEXCO, INC.

Date: 06/02/2006

Security Account Number: _____

Account Holder Name: BUREAU OF LAND MANAGEMENT

ABA Number: _____

Current Amount to be Collateralized (Par Value): \$ _____ .00

New Amount to be Collateralized (Par Value): \$130,000.00

Effective Date: 06/02/2006

Agreement and Authorization

The Bond Official submitting this form hereby agrees to communicate all instructions regarding the account or the collateral to the Federal Reserve Bank of St. Louis, which will receive and authenticate the bond official's instructions regarding the collateral. Further, the bond official hereby authorizes the other Federal Reserve Banks acting as custodians to act upon the instructions of the Federal Reserve Bank of St. Louis with regard to the collateral and relieves them from liability for properly acting in accordance with Federal Reserve Bank of St. Louis' instructions or for failing to act on the instruction of the Bond Official.

The Bond Official hereby authorizes and instructs the Federal Reserve Bank of St. Louis to release, or cause another Federal Reserve Bank to release, collateral held in excess of the amount to be collateralized stated on this form on request of the account holder. The Bond Official may revise this instruction by submitting this form with a new amount to be collateralized at any time and such new instruction will be effective upon receipt and authentication by the Federal Reserve Bank of St. Louis.

Authorized Signature: _____

Authorization (Please Print): COLLEEN NOBLE

Please contact COLLEEN NOBLE for callback verification.

Federal Reserve Bank of St. Louis
Internal Use Only

Received by:

Name: _____

Time: _____

Confirmed by:

Name: _____

Time: _____



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

JOHN R. BAZA
Division Director

9

LEXCO Bond Agreement

Agreement between the Utah Division of Oil, Gas and Mining (OGM)
and the
Utah State Office of the Bureau of Land Management (BLM)
Bonding Instrument
for the
Lexco, Cottonwood Mine, OGM Permit M/047/064
BLM Federal Lease UTU 72699

Lexco, Inc. has submitted to the BLM five-year U.S. Treasury Notes as reclamation surety and BLM royalty surety. BLM has accepted the reclamation surety as part of the requirements of the Federal Regulations at 43 CFR 3590. This agreement is being implemented to also fulfill the requirement for reclamation bonding under the Utah Mine Reclamation Act (UCA 40-8-14 (4) and (6)(c) 2006. Both agencies agree the reclamation surety in the amount of \$55,337.00 is sufficient to reclaim the land affected by mining operations under the approved BLM mine plan dated May 30, 2006.

SURETY FORM: U.S. Treasury Notes, Five Year
DOLLAR AMOUNT: \$130,000.00
FORMS COMPLETED: BLM form 3504-1
BLM BOND ACCEPTED DATE: JUNE 26, 2006

OGM and BLM Agree:

- BLM and OGM will consider this agreement as if they were co-beneficiaries on the bond held by the BLM, and if surety forfeiture is deemed necessary by the State of Utah, OGM will send BLM a certified copy of the hearing and request that the necessary action take place in accordance with UCA 40-8-14 (6)(c).
- The BLM is administering the reclamation surety of \$55,337.00 and also has \$74,663.00 that is not reclamation surety and is intended for BLM, for which the terms of this agreement do not apply. BLM may require additional surety for any activities or performance not regulated by OGM.
- The reclamation surety will continue to be administered by the BLM. Any adjustments to the reclamation surety will be administered by the BLM. OGM may request an adjustment in the surety. BLM will adjust the surety if approved by the BLM. At any time the operator may replace the reclamation surety and have either agency administer the reclamation surety. The form and amount of surety used as replacement must be approved by both OGM and BLM.
- The BLM will not release the reclamation surety until the BLM has received written consent of OGM in accordance with the procedures and requirements of the Utah Mined Land Reclamation Act and associated rules, as amended. An OGM inspection report will be provided to the BLM and the OGM Director will provide written consent for release of the reclamation surety.

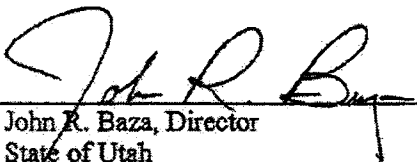
RECEIVED

NOV 29 2006

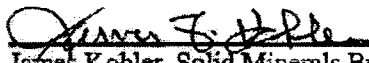
DIV. OF OIL, GAS & MINING

- OGM will notify BLM if the permit fails for any reason. If failure occurs, BLM will take appropriate action.
- The U.S. Treasury Notes will mature on April 30, 2011, at which thirty days prior to maturity, the terms of this agreement may be reviewed.
- BLM will copy the Division on all documentation pertaining to administration of the reclamation surety.
- BLM agrees to communicate to OGM information including changes to the reclamation plan, operation plan, cost estimates, and any other pertinent information regarding the OGM permit M/047/064 and BLM UTU 72699. Specifically, the spreadsheet titled, LEXCO 3 Shaft Bond Requirement, is an integral part of this agreement, and as the reclamation surety amount is adjusted as updated in the above-mentioned spreadsheet, these dollar amount adjustments, will be considered the current reclamation surety obligation.
- OGM, will likewise, notify and copy the BLM on any correspondence between the operator and OGM, including the reclamation contract.
- This agreement may not be terminated by either agency unless any of these conditions occur:
 1. Mine transfer (this agreement is not assignable)
 2. Lease assignment

This agreement shall become effective when executed. Amendments to this agreement may be proposed by either party upon thirty (30) days written notice and shall be effective upon execution. The below signed, acknowledge and accept the terms of this agreement.


 John R. Baza, Director
 State of Utah
 Division of Oil, Gas and Mining

11/17/2006
 Date


 James Kohler, Solid Minerals Branch Chief
 Bureau of Land Management (BLM),
 Utah State Office

Nov. 27, 2006
 Date

[illegible]

BLM Bond Calculations



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



IN REPLY REFER TO:
3504
UTU-72699
(UT-923)

JUN 26 2006

CERTIFIED MAIL – Return Receipt Requested

DECISION

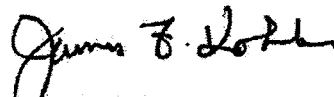
Lexco, Inc.
P. O. Box 1198
Vernal, UT 84078

: Gilsonite Lease
: UTU-72699
:
:

Bond Accepted

Lexco, Inc. filed a \$130,000 U. S. Treasury Note with the Bureau of Land Management's National Business Center on June 3, 2006 for gilsonite lease UTU-72699. Bond form 3504-1 was completed and signed by Lexco, Inc. and submitted to this office on June 15, 2006.

These documents have been reviewed and found to be satisfactory. Therefore, the subject \$130,000 personal lease bond is accepted effective June 15, 2006 the date of completing the filing. A request has been forwarded to our field office for the release of previously submitted bonds.


James F. Kohler
Chief, Branch of
Solid Minerals

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number

UTU-72699

Bond Number

PERSONAL BOND* AND POWER OF ATTORNEY

UNDER ☒ MINERAL LEASE OR ☐ PROSPECTING PERMIT
FOR MINING DEPOSITS

Office

GILSONITE

UTAH STATE OFFICE

KNOW ALL MEN BY THESE PRESENTS, That LEXCO INC., P.O. BOX 1198
VERNAL, UTAH 84078

, as obligor, is held and firmly bound unto the United States in the sum of ONE HUNDRED AND THIRTY THOUSAND dollars, (\$130,000⁰⁰), lawful money of the United States, for the payment of which, well and truly to be made, he binds himself, his heirs, executors, administrators, and successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such, that whereas the above-named obligor entered into a mineral lease or prospecting permit of the lands described therein upon conditions therein expressed, which mineral lease or prospecting permit bears the above serial number.

NOW, THEREFORE, if the said obligor, his heirs, executors, administrators, or successors, shall faithfully carry out the obligations and observe the requirements of said mineral lease or prospecting permit and shall duly keep, perform, and abide by each and every term and provision of said mineral lease or prospecting permit as therein stipulated and agreed, then this obligation shall be null and void; otherwise to remain in full force and effect.

That said obligor, in order the more fully to secure the United States in the payment of the aforesaid sum, hereby pledges cash as security therefor or negotiable bonds of the United States, of a par value equal to the amount specified, which said bonds are numbered serially and are in the denominations and amounts and are otherwise more particularly described as follows: bonds of \$, bearing percent interest, with

coupons attached to each numbered

\$130,000⁰⁰ PAR VALUE U.S. TREASURY NOTE

CUISP#1

4 7/8% INTEREST

which said bonds have been deposited with the Secretary of the Interior.

* This form of bond may be used in connection with phosphate, and sodium mineral leases or prospecting permits, Act of February 25, 1920, as amended (30 U.S.C. 181 *et seq.*); potassium mineral leases or prospecting permits, Act of February 7, 1927, as amended (30 U.S.C. 281 *et seq.*); sulphur mineral leases or prospecting permits, Act of April 17, 1926, as amended (30 U.S.C. 271 *et seq.*); all such mineral leases or prospecting permits involving acquired lands, Act of August 7, 1947, (30 U.S.C. 351), and asphalt mineral leases or prospecting permits, Act of June 28, 1944, as amended (25 U.S.C. 561-562), by inserting the particular mineral applicable in the space provided therefor. This form is for use where the mineral lease or prospecting permit covers either public lands or lands embraced in an entry or patent subject to the reservation of potassium, phosphate, or sodium deposits to the United States under the Act of July 17, 1914 (30 U.S.C. 121-123); pursuant to the Act of June 22, 1910 (30 U.S.C. 83-85), pursuant to the Act of March 8, 1922 (48 U.S.C. 376-377); or of sulphur pursuant to the Act of March 4, 1933 (30 U.S.C. 124). If this bond is executed by a corporation, it must bear the corporate seal.

RECEIVED

JUL 12 2010

DIV. OF OIL, GAS & MINING

Form MR-REV-att (DOGM – Revise/Amend Change Form)
(Revised September 14, 2005)

Application for Mineral Mine Plan Revision or Amendment

Operator: Lexco Holding, LLC			
Mine Name: Cottonwood		File Number: M/ 047 / 064	
Provide a detailed listing of all changes to the mining and reclamation plan that will be required as a result of this change. Individually list all maps and drawings that are to be added, replaced, or removed from the plan. Include changes of the table of contents, section of the plan, pages, or other information as needed to specifically locate, identify and revise or amend the existing Mining and Reclamation Plan. Include page, section and drawing numbers as part of the description.			
DETAILED SCHEDULE OF CHANGES TO THE MINING AND RECLAMATION PLAN			
			DESCRIPTION OF MAP, TEXT, OR MATERIALS TO BE CHANGED
<input type="checkbox"/> ADD	<input checked="" type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	Replace Lexco, Inc. with Lexco Holding, LLC throughout the plan.
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments and obligations, herein.

Rafael Ortiz
Print Name

[Signature]
Sign Name, Position

/ Manager
5/3/2010
Date

Return to:

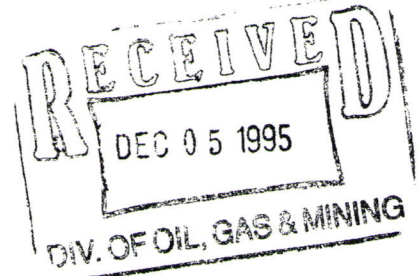
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Phone: (801) 538-5291 Fax: (801) 359-3940

O:\FORMS\MR-REV-att.doc

FOR DOGM USE ONLY:	
File #: M/	/
Approved: _____	
Bond Adjustment: from (\$)	
to \$ _____	

Assigned DOGM File No.: S 10471064
DOGM Lead: AAG

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340
Fax: (801) 359-3940



NOTICE OF INTENTION TO COMMENCE SMALL MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1987, and the General Rules as promulgated under the Utah Minerals Regulatory Program.

"Small Mining Operations" means mining operations which disturb five or less surface acres at any given time.

I. GENERAL INFORMATION (Rule R647-3-104)

1. Name of Mine: Cottonwood Mine
2. Name of Operator/Applicant: Lexco, Inc. Lexco Holding, LLC
Company (X) Corporation () Partnership () Individual ()
3. Permanent Address: P O Box 1198
City: Vernal State: Utah Zip Code: 84108
Telephone Number: (801) 789 5361
4. Ownership of Land Surface:
Private (Fee) ☐ Public Domain (BLM) ☒ National Forest (USFS) ☐
State Trust Land/School Sections ☐ State Sovereign Lands ☐
Other (please describe): _____
5. Ownership of Minerals:
Private (Fee) ☐ Public Domain (BLM) ☒ National Forest (USFS) ☐
State Trust Land/School Sections ☐ State Sovereign Lands ☐
Other (please describe): _____

Utah Mining Claim Number(s): _____

Utah State Lease Number(s): _____

Name of Lessee(s) Lexco, Inc. BLM LEASE 72649 Lexco Holding, LLC

6. Have the above surface and mineral owners been notified in writing?

Yes X No _____

If no, why not? _____

Please be advised that if State Trust Lands are involved, notification to the Division of Oil, Gas and Mining alone does not satisfy the notification requirements of Mineral Leases upon State Trust Lands. Exploration or mining activity on State Trust Lands requires a minimum of 60 days notice to the Trust Lands Administration prior to commencing any activities. Please contact the School Institutional Trust Lands Administration (SITLA) at (801) 538-5508 for notification requirements.

7. Does the operator have legal right to enter and conduct mining operations on the land covered by this notice? Yes
- X
- No _____

II. PROJECT LOCATION & MAP (Rule R647-3-105)

1. Project Location (legal description):

County(ies): Uintah

Township 10s - Range 21E

Section 34: NW4NW4, S2NW4, SW4NE4, N2SE4

Section 35: N2SW4, SE4SW4, S2SE4

Township 11S - Range 21E

Section 1: NE4NE4

2. A topographic base map showing the location of the proposed small mining operation must be submitted with this notice. A USGS 7.5 minute series map is preferred. The areas to be disturbed should be plotted in sufficient detail so that they can be located on the ground. It is recommended that the operator also plot and label any pre-existing disturbances in the immediate vicinity that he is not responsible for.

III. OPERATION PLAN (Rule R647-3-106)

1. Type of mining: Surface ☐ Underground ☒
2. Mineral(s) to be mined: Gilsonite
3. Provide a brief description of the proposed mining operation and onsite processing facilities. Underground mining of a narrow, vertical gilsonite vein. Three to four men on mining crew. No onsite processing. Ore will be transported in a covered truck to the processing plant at Randlett, Utah. Maximum of one truck per day.

☐ New Road(s): Length 2000 (ft) Width 20 (ft)

☐ Improved Road(s): Length none (ft) Width (ft)

Total project surface acreage to be disturbed: 2.2 acres (acres)

Proposed startup date of project (month, year) April, 1996

Proposed completion date of project, if known (month, year) not known

IV. OPERATION AND RECLAMATION PRACTICES (Rule R647-3-107, 108 & 109)

The reclamation and operation obligation is to keep the area clean and safe, minimize hazards to public safety, return the land to a useful condition, and reestablish at least 70 percent of the premining vegetative ground cover. To accomplish this, the operator will need to perform reclamation concurrently, or at the completion (within one (1) year) of mining:

1. Keep the mining operation in a safe, clean, and environmentally stable condition.
2. Permanently seal all shafts and tunnels to prevent unauthorized or accidental entry.
3. Plug drill holes with a five foot cement surface plug. Holes that encounter fluids are to be plugged in the subsurface to prevent aquifer contamination.
4. Construct berms, fences, or barriers, when needed, above highwalls and excavations.
5. Remove, isolate, or neutralize all toxic materials in a manner compatible with federal and state regulations.
6. Remove all waste or debris from stream channels.
7. Dispose of any trash, scrap metal, wood, machinery, and buildings.
8. Conduct mining activities so as to minimize erosion and control sediment.
9. Reclaim all roads that are not part of a permanent transportation system.
10. Stockpile topsoil and suitable overburden prior to mining.
11. Stabilize highwalls by backfilling or rounding to 45 degrees or less, where feasible; reshape the land to near its original contour, and redistribute the topsoil and suitable overburden.
12. Properly prepare seedbed to a depth of six inches by ripping, discing, or harrowing.
13. Reseed disturbed areas with adaptable species. (The Division recommends seeding 20 lbs./acre of native and introduced species of grass, forb, and browse seed, and will provide a specific species list if requested.)
14. Plant the seed with a rangeland or farm drill, or if broadcast seeded, harrow or rake the seed 1/4-1/2 inch into the soil - fall is the preferred time to seed.

V. VARIANCE REQUEST (Rule R647-3-110)Yes ☐ No ☒

Any planned deviations from Rules R647-3-107, Operation Practices, R647-3-108, Hole Plugging Requirements, or R647-3-109, Reclamation Practices, as summarized above, should be identified below and justification given for the variance request(s).

<u>Item Number</u>	<u>Variance Request Justification</u>
_____	_____
_____	_____
_____	_____
_____	_____

VI. SIGNATURE REQUIREMENT

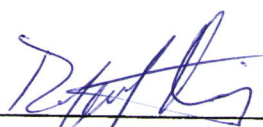
I hereby commit to conduct mining operations and to reclaim the aforementioned small mine as required by the Utah Mined Land Reclamation Act (40-8) and the rules as specified by the Board of Oil, Gas and Mining.

Signature of Operator/Applicant:

Name (typed or printed):

Title/Position (if applicable):

Date:


~~James M. Leka~~ Rafael Ortiz

~~President, Lexco Inc.~~ Manager

5/3/2010

By: Mitchell A. Leka~~Vice President~~~~Lexco Inc~~~~Dec 4, 1995~~

RECEIVED

JUL 12 2010

DIV. OF OIL, GAS & MINING

MINING PLAN FOR BLM GILSONITE MINING LEASE #72699

DATED 6/1/2004 (revised 7/7/10)

Submitted by Lexco Holding LLC., in compliance with the requirements of 43CFR-3592.1. The format of this Mining Plan follows the format specified in the above CFR.

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water was encountered at approximately 350 feet of depth. The rate of water inflow into the #1 shaft is 3 to 5 gallons per minute. The vegetation is mixed desert scrub. Common shrubs in the area include shadscale, saltbrush, rabbitbrush, big sage, black sage, and budsage. Common grasses include wheatgrass, Indian ricegrass, and galleta grass. No threatened or endangered plants, or their habitat are known in the area. No fish exist on the lease. Wildlife present in the area is typical of an open semi-desert environment with small herbaceous mammals and their predators being common. Notable are the antelope and raptors, including golden eagles. Habitat suitable for the raptor nesting may exist in the vicinity of the lease. Wild horses also may use the area. The lease does not have any prairie dog towns. Potential for impact on the threatened and endangered wildlife appears to be low.

There are many roads, pipelines, drill sites and other construction related to energy and mineral development, especially gas development, located in the general area. A significant number of natural gas wells with their associated gathering and transportation systems have been completed near the lease. Gilsonite mining is being conducted by Lexco Holding LLC. on the lease. Grazing and limited recreational use are the other primary human uses of the land in the area. The area also provides habitat for a range of wildlife. Access to the lease is good, with an existing unpaved county maintained road that crossed the lease. Access within the lease is good, as the terrain is fairly level, and there is little vegetation.

3. LOCATION AND TOPOGRAPHY

The legal description of the lease is as follows:

Township 10S- Range 21E
Section 34: NW4NW4, S2NW4, SW4NE4, N2SE4
Section 35: N2SW4, SE4SW4, S2SE4

Township 11S- Range 21E
Section 1: NE4NE4

The lease is located 14.5 miles SE of Ouray, Utah. Access is by county maintained unpaved roads. These are locally known as "Seep Ridge Road" and "Bitter Creek Road", and are so identified on the USGS quadrangle map covering the area. At a road distance of 18.5 miles south from Ouray, an unpaved county class D road goes south from Bitter Creek Road a distance of 2.75 miles to the lease. This road services the numerous gas wells in the area, and is maintained by Uintah County. Figure 1 shows the topography and the regional setting of the lease, and figure 5 shows the area surrounding the lease.

4. PROPOSED METHOD OF OPERATION

Reference is made to figures 3 and 5. These are two active shafts on the lease, the

Following construction of the surface facilities an initial 200 feet of shaft will be constructed, and horizontal escape tunnels will be driven to connect with existing adjacent workings or intermediate escape shafts.

Stoping (commercial mining) is initiated after the shaft has been completed to 200 feet and escapeways are constructed. A surface pillar at least 50 feet thick is retained to prevent surface subsidence. Using hand held pneumatic chipping hammers, ore is removed from the mine on a 45° slope. Liberated ore slides to the bottom of the slope, where it is lifted to the surface via the vacuum airlift system. Each mine is capable of producing 25-40 tons of gilsonite a day when operating at capacity. Two men work on each side of the shaft, one man chipping at the face and one man operating the air lift system. There are a total of 5 men at each operating mine, 4 men underground and one surface hoist man. As removal of the initial ore block nears completion, the shaft is deepened in increments of approximately 100-150 feet to allow development of a new ore block. A horizontal ground support pillar of gilsonite approximately 10-15 feet thick will be preserved to support and separate each ore block.

No water will be consumed in the operation, and no waste products will be generated other than a small amount of waste rock and encountered ground water. Based upon experience from our other two shafts, we expect to encounter ground water at depth of about 350 feet. The ground water flow rate is currently 3-5 gallons per minute into the #1 Shaft. The ground water is pumped to the surface and discharged in accordance with our NPDES permit No. UT-0025259 at Latitude 39- 53' 59" Longitude 109- 31' 12". The location of the discharge point is shown in figure 3. Should a change in discharge location be required as a result of new mine construction, a minor modification to the permit would be required. Lexco Holding LLC. will keep BLM advised of any modification to the permit, as well as any changes in the quantity or quality of discharged water.

The current operations send two to four truckloads of ore a day from the mine to the bagging plant at Randlett, where the ore is packaged and shipped. All ore trucks are enclosed. The proposed expansion of the mine plant does not necessarily mean that more ore will be shipped. The addition of shafts will give flexibility in production, and allow replacement of existing mines. If production is increased, up to two additional truckloads per day would be required to transport the ore.

BLM has previously approved a vehicle access route that follows the vein and extends the entire length of the lease. Approximately 3500 feet of this route will be upgraded from the existing 8 foot travel surface to a 16 foot travel surface for access and haulage. Additionally, 800 feet of new road will deviate from the previous route where the route crossed two dry washed and at the truck turnarounds at the 3 new shafts. Total new disturbance related to roads is about 0.9 acres. The three new shafts will disturb about 2.1 acres for the surface facilities. The total disturbance for this proposal is 3.0 acres (see figure 3). The existing county road will be used for access from the mine to the state highway.

The mining operation does not use any water directly. Potable water from our culinary water supply at the bagging plant will be transported to the site for use by the mine crew.

Runoff water will cross the mining area along a minor branch of the Cottonwood Wash and of Sand Wash as shown of Figure 3. There are no significant sources of pollution from the mining operation that could cause pollution of the drainage for the following reasons:

Gilsonite is non polluting, and occurs naturally throughout the soils in the area from erosion of the outcropping veins. All mined gilsonite is carried up from the mine in a closed vacuum lift system into a closed receiving ore bin. This is dumped directly into covered haulage trucks for transport to the mill.

Escape of lubricants and fuel is possible from the diesel electric generator, and the 3 to 4 vehicles that serve as personnel and ore transport. These will be maintained so that there will be no significant leakage. All fuels and lubricants will be contained with the previously described berms. Should a spill occur, all affected soils will be removed for disposal in an approved waste disposal facility.

The mine will produce a small flow of water. It is currently producing at the rate of 3 to 5 gallons per minute. This water is discharged to a dry wash under approval of our EPA NPDES permit #0025259. See figure 3 for location.

The following measures will be taken to control fire, soil erosion, subsidence, pollution of surface water, ground water and air, damage to fish and wildlife, hazards to public health and safety:

Fire control will employ chemical fire extinguishers located at the hoist houses, at the mine shafts, and at the generator house. Personnel will be instructed in fire prevention and the use of the extinguishers. All equipment will be properly maintained to avoid fire hazards.

Soil erosion will be prevented by minimizing the amount of the surface disturbance and avoiding unnecessary leveling.

Subsidence will be prevented by maintaining a 50 foot surface pillar above all mine workings.

Pollution of surface waters will be prevented as described in paragraph 8, on page 8. Pollution of ground water will be prevented as described on page 9.

Lexco Holding LLC., will survey for noxious weeds listed by the Utah BLM, the State of Utah Dept. of Agriculture and Uintah County on all grounds disturbed by the proposed action. If noxious weeds are identified, Lexco Holding LLC., will use the best available method for their control, including hand removal or herbicide treatment. If it is determined treatment is required, Lexco Holding LLC., will consult with the Vernal District Pesticide Use Coordinator and submit a herbicide use proposal prior to application of herbicide.

ADDENDUM #2

LEXCO HOLDING LLC., MINING PLAN #72699 DATED 6/1/04 (REVISED 7/7/10)

This addendum is responding to the questions received from BLM letter dated Feb. 28, 2006.

- 1) Page 6 paragraph 1 of the plan state that the site would be “scarified by ripping or disking”. The words “or disking” should be deleted so that the sentence reads “scarified by ripping”.
- 2) During final closure and reclamation, escapeways will be accessed by overland travel.
- 3) The current BLM/DOGM recommended seed mix for top soil stabilization is:
 - 3 lb/ac crested wheat grass
 - 3 lb/ac shadscale
 - 3 lb/ac western wheat grass
 - 3 lb/ac squirrel tail grass

This seed mix will be utilized for topsoil stockpile stabilization. Lexco Holding LLC., commits to contact the Authorized Officer and obtain and utilize a final recommended seed mix prior to final reclamation. All other requirements including but not limited to the noxious weed free and pure live seed requirements would remain the same.

- 4) The escape shaft #5 will not require an escape hoist until mining progresses to a vertical extent of 300 feet. At such time Lexco Holding LLC., will submit a request for modification to the Authorized Officer to install the escape hoist or construct an adjoining mine which would replace the escapeway.